

I. Welcome

Meeting called to order at 11 AM.

In attendance:

- Charlie Way
- Kenneth Cosgrove
- Jimmy Addison
- Ben Kochenower
- Burnie Maybank
- Ray Stevens
- Brian Moody
- Jack Shuler
- Bob Steelman
- Don Weaver
- Ken Wingate

II. Adoption of Proposed Agenda

Commissioner Way moves to adopt the proposed agenda and Commissioner Kochenower seconds his motion.

The agenda is adopted by voice vote.

III. Adoption of Minutes from Previous Meeting

Commissioner Way moves to adopt the minutes from the previous meeting, Commissioner Kochenower seconds his motion.

The minutes are adopted by voice vote.

Chairman Maybank clarifies that only lobbyist principals are prohibited from contacting the commissioners. He also explains that the Commission has asked for a continuance from the legislature to allow them more time to complete their work.

Chairman Maybank indicates to the Commission that they will need to begin work on subcommittees. These subcommittees can include, but are not limited to; 'Simplified Sales and Use Tax,' 'Taxation of Services,' and 'Taxation of Intangibles.'

IV. FTA Presentation: *State Sales Taxes and Services* – Jim Eads

Mr. Eads notes that his comments are his own and not a representation of the members of the tax administrators.

Mr. Eads believes a tax system should be perceived as fair and perfection should be sought in terms of 'fairness.' Sales tax is the largest revenue component that most states have with a total of 45 states implementing a sales tax.

Taxation of services is another method many states have begun to explore. South Carolina taxes about 35 of 160 services. This puts the state in line with neighboring states.

V. SC Fair Tax Presentation: *Americans for Taxation* – Jack Jackson

The Fair Tax eliminates income taxes, corporate taxes, social security taxes, Medicare taxes, capital gains taxes, alternative minimum taxes, self-employment taxes, inheritance taxes, and gift taxes when implemented at the Federal level. Those taxes will be replaced with a single-rate personal consumption tax on new goods and services without exception, but only once. On the state level, the Fair Tax would repeal the Income Tax Act, income tax withholding, income tax on banks, income tax on savings and loans, Estate Tax Act, Sales Tax Act, and the Taxpayer Bill of Rights. Prebates are issued to insure that no one is paying taxes up to the poverty level.

Commissioner Kochenower inquires as to how the Fair Tax would impact counties with local option taxes. Mr. Jackson explains that the Fair Tax concept is designed to be revenue neutral and would not interfere with a local option sales tax.

Commissioner Weaver would like to have information on how the Fair Tax works for border counties. Jack explains that nothing could be done to stop people from traveling to make their purchases and would keep competition among the states.

Commissioner Wingate inquires whether any other states have imposed the Fair Tax, what the rate might be in SC, and whether or not a Fair Tax could work on just a state level. Mr. Jackson explains that no other states have implemented a Fair tax, the rate would be around 6.75%, and he does feel that a state imposed Fair Tax could work independently of the Federal Government.

The TRAC meeting recessed at 11:07 and was called back to order at 12:30.

VI. *Local Option Taxes in South Carolina* – A Review – Craig Parks, Staff

Craig Parks explains that SC has 'Local Option' taxes as do 31 other states. There are nine different local option varieties and monies generated through the 'local option' are not typically sent to the state General Fund. In 2008, \$548 million was generated by these local option sales taxes. Rates can range from .5% to 2% with the typical county imposing a 1%. Anything exempt at the state level is exempt at the local level as well. Counties and municipalities may not impose more than one local option tax at any time and are usually implemented through referendum.

A county imposing a local option will often use a 71/29 split, with 71% to be used as funding for a specific project and 29% to be used for property tax relief.

Local Accommodations Taxes are also imposed by ordinance and may only be spent on tourism related projects.

VII. Tourism and Hospitality Tax Presentations:

- Chad Prosser, Director, SC Department of Parks, Recreation & Tourism

Tourism in SC generates \$17.2 billion in total economic activity and represents 12.6% of the state's total employment. Coastal leisure and travel markets have not taken as big of a hit as the business travel market in the current economy.

73% of the state admissions tax is distributed to the state general fund. For every \$1 invested by the state in tourism marketing, \$2.81 is generated in state and local tax revenue. For every advertising dollar there is a \$32 economic impact.

- Frans Mustert, Oceana Resorts/ Myrtle Beach, Chairman of SC Tourism Expenditure Review Committee (TERC)
- Bill Ellen, Clarion Hotels/ Columbia, Chairman of SC Tourism Alliance
- Brad Dean, President & CEO, Myrtle Beach Area Chamber of Commerce
- Helen Hill, Executive Director, Charleston Area Convention & Visitors Bureau
- Neil Robinson, Nexsen Pruet, Chairman of SC Tourism and Land Council

VIII. Other Business

Rena Grant details the calendar for the upcoming TRAC meetings and explains that the meetings will be every six weeks. The dates are as follows: February 19th, March 26, and May 7th. All meetings will be in Room 105 of the Gressette Building at 10 AM.

Commissioner Wingate recommends that the Commission seek permission from the legislature to look at Act 388.

IX. Adjournment

The meeting adjourned at 2:50 PM.